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March 31, 2021

VIA ELECTRONIC FILING

The Honorable Jocelyn G. Boyd
Chief Clerk and Executive Director
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

**Re: Application of Duke Energy Carolinas, LLC for Adjustments in Electric Rate Schedules and Tariffs and Request for an Accounting Order
Docket No. 2018-319-E**

Request for Approval of Updated EDIT Rider

Dear Ms. Boyd:

Pursuant to Commission Order No. 2019-323 in the *Application of Duke Energy Carolinas, LLC for Adjustments in Electric Rate Schedules and Tariffs and Request for an Accounting Order*, Duke Energy Carolinas, LLC (“DEC” or the “Company”) hereby requests the Public Service Commission of South Carolina (“Commission”) approve DEC’s updated Excess Deferred Income Tax (“EDIT”) Rider to be effective June 1, 2022.

In the Company’s most recent rate case, the Commission ordered that the Company implement flow back of excess deferred income taxes to customers through an EDIT rider, as follows:

- a. For Federal EDIT protected under Internal Revenue Service (“IRS”) normalization rules, in accordance with those rules;
- b. For Federal EDIT not protected by normalization rules, but related to property, plant and equipment, over a 20-year period;
- c. For Federal EDIT not protected by normalization rules, but not related to property, plant and equipment, over a five-year period;
- d. For deferred revenue, net of deferred balances related to the Distributed Energy Resource Program (“DERP”), over a five-year period; and
- e. For North Carolina EDIT, over a five-year period.¹

¹ Order No. 2019-323, Paragraph 38, p. 34-35.

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For Year 1, the annual revenue requirement for the EDIT rider was a decrement of approximately \$61,814,000. For Year 2, the annual revenue decrement was approximately \$67,838,000. For Year 3, the annual revenue decrement was approximately \$69,816,000. For Year 4, the Company has calculated an annual revenue decrement of approximately \$60,015,000.

For the Commission's review, the Company is providing the following attachments in support of this request:

Exhibit 1: Excess Deferred Income Tax Rider (EDIT) Revenue Requirement – Year 4, in the same form as originally provided in the Company's most recent rate case.

Exhibit 2: True Up for Actual Sales Volume January 2021 – December 2021

Exhibit 3: Derivation of Excess Deferred Income Tax Rider EDIT Rates – Year 4

Exhibit 4: Excess Deferred Income Tax Rider EDIT-1 Allocation – Year 4

Exhibit 5: Redline and clean version of the revised EDIT tariff.

The Company requests the revised EDIT Rider to be effective as of June 1, 2022.

The Company has provided the EDIT Rider calculations to the Office of Regulatory Staff for review in compliance with the Commission's Order and has included the ORS and all parties on this filing.

Sincerely,

A handwritten signature in black ink, appearing to be 'Camal O. Robinson', written in a cursive style.

Camal O. Robinson

Attachments

cc: (Parties of Record, via email with attachments)

Duke Energy Carolinas, LLC
DOCKET 2018-319-E
FOR THE TEST PERIOD ENDED December 31, 2021
SOUTH CAROLINA RETAIL
Excess Deferred Income Tax Rider Calculation - Year 4
(Dollars in thousands)

Line Description

Year 4 Rider Update:

	Federal EDIT - Protected SC Retail (A)	Federal EDIT - Unprotected, PP&E related SC Retail (B)	Federal EDIT - Unprotected, non PP&E related SC Retail (C)	Deferred Revenue SC Retail (D)	NC EDIT SC Retail (E)	Total SC Retail (F)
[1] Regulatory liability including gross up for Year 3 Rider calculation	(381,413)	(242,689)	(44,444)	(39,071)	(52,215)	(759,832)
[2] Annual Amortization (includes 7 months of actual and 5 months of projected)	11,623	13,483	14,815	13,024	17,405	70,349
[3] Regulatory liability including gross up for Year 4 Rider calculation (L1 + L2)	(369,790)	(229,206)	(29,629)	(26,047)	(34,810)	(689,483)
4 Allocation to SC Retail excluding Greenwood	99.68%	99.68%	99.68%	99.68%	99.68%	
5 Regulatory liability for federal tax change including gross up for SC Retail excluding Greenwood (L3 x L4)	(368,595)	(228,465)	(29,534)	(25,963)	(34,698)	(687,255)
6 ARAM rate (applied to original balance)	2.76%					
7 Remaining amortization period	31.82	17	2	2	2	
[5] Annual amortization amount excluding Greenwood	(11,586)	(13,439)	(14,767)	(12,982)	(17,349)	\$ (70,122)
Annual amortization amount including Greenwood	(11,623)	(13,483)	(14,815)	(13,024)	(17,405)	(70,349)

Notes:

- [1] Docket No. 2018-319-E, Excess Deferred Income Tax Rider Calculation - Year 3, Exhibit 1, Page 1, Line 3
[2] Per book amortization June 2021 - December 2021 plus projected amortization Jan 2022 - May 2022
[3] Allocation - SCRGW - NETPLT w Nfuel
[4] Provided by the Tax Department
[5] Annual amortization for protected is actual and projected amortization (Line 2) x SC retail allocation (Line 4). Annual amortization for remaining categories is regulatory liability for Year 4 (Line 5) divided by remaining amortization period (Line 7)

Duke Energy Carolinas, LLC
DOCKET 2018-319-E
FOR THE TEST PERIOD ENDED December 31, 2021
SOUTH CAROLINA RETAIL
Excess Deferred Income Tax Rider Calculation - Year 4
(Dollars in thousands)

Line	Cost of Capital per Smith Exhibit 1	Ratio	Rate	After Tax Weighted Average Cost of Capital (WACC)
1	Debt	47.00%	4.53%	1.60%
2	Equity	53.00%	9.50%	5.04%
3				6.64%
4	Statutory Tax Rate			24.95%
5	Retention factor for SC license tax, PSC Utility Assessment Fee			99.48%

Annual Rider Calculation

Amortization - From Page 1, L8

Line	Year	Beginning Balance (A)	Federal EDIT - Protected (B)	Federal EDIT - Unprotected, PP&E related (C)	Federal EDIT - Unprotected, non PP&E related (D)	Deferred Revenue (E)	NC EDIT (F)	Total Amortization (G) =(B)+(C)+(D))+(E)+(F)	Ending Balance before Return (H) = (A) - (G)	Average of Beginning and Ending Balance (I) = ((A) + (H)) / 2	EDIT Balance in Base Rates [1] (J)	Change in Regulatory Liability for Rider Return (K) = (I) - (J)	Return for Rider (L) = (K) x After Tax WACC	True-up for sales volume [2] (M)	Rider Revenues (N) = (G) + (L) + (M)	Rider Revenues incl. SC license Tax, PSC Utility Assessment Fee (N) = (M) / Retention Factor
6	Jun 19- May 20	(862,445)	(10,361)	(13,439)	(13,588)	(5,891)	(17,344)	(60,625)	(801,821)	(832,133)	(818,340)	(13,793)	(916)	-	(61,540)	(61,814)
7	Jun 20- May 21	(830,816)	(10,206)	(13,439)	(14,767)	(12,982)	(17,349)	(68,743)	(762,073)	(796,444)	(818,340)	21,896	1,454	(211)	(67,499)	(67,838)
8	Jun 21- May 22	(757,377)	(14,902)	(13,439)	(14,767)	(12,982)	(17,349)	(73,439)	(683,938)	(720,657)	(818,340)	97,683	6,486	(2,491)	(69,444)	(69,816)
9	Jun 22- May 23	(687,255)	(11,586)	(13,439)	(14,767)	(12,982)	(17,349)	(70,122)	(617,133)	(652,194)	(818,340)	166,146	11,032	(616)	(59,706)	(60,015)
10	Jun 23- May 24	(617,133)	(11,586)	(13,439)	(14,767)	(12,982)	(17,349)	(70,122)	(547,011)	(582,072)	(818,340)	236,268	15,688		(54,434)	(54,716) [3]

[1] Docket No. 2018-319-E, Updated Smith Exhibit 2 (Directive), Page 1, L1 x L6

[2] Docket No. 2018-319-E, Excess Deferred Income Tax Rider Calculation - Year 4, Exhibit 2, Page 1, L17

[3] The rider amounts for year 5 are shown for illustrative purposes only. Actual rider amounts will be filed each year with updates discussed in Smith testimony by March 31 for Commission approval.

Duke Energy Carolinas, LLC
DOCKET 2018-319-E
FOR THE TEST PERIOD ENDED December 31, 2021
SOUTH CAROLINA RETAIL
Excess Deferred Income Tax Rider Calculation - Year 4
(Dollars in thousands)

True Up for Actual Sales Volume January 2021 - May 2021

Line	Description		Residential	Commercial	Industrial	Lighting	Total SC retail
1	Rider EDIT-1 (SC) decrement rate (\$/mWh)	[1]	(4.83700)	(2.92200)	(1.83000)	(13.15600)	
2	Total Year 2 EDIT Rider Revenues incl. SC license Tax, PSC Utility Assessment Fee	[2]	(\$67,838)	(\$67,838)	(\$67,838)	(\$67,838)	
3	Total Year 2 Federal EDIT Protected Amortization	[3]	(\$10,206)	(\$10,206)	(\$10,206)	(\$10,206)	
4	Rider EDIT-1 (SC) decrement rate, excluding Protected (\$/mWh) (1 - L3 / L2) * L1		(4.10928)	(2.48239)	(1.55468)	(11.17669)	
5	Mwh sales (January 1, 2021 - May 31, 2021)	[4]	2,737,146	2,173,660	3,180,965	16,878	
6	Actual EDIT decrement rider revenue (L4 * L5 / 1,000)		(\$11,248)	(\$5,396)	(\$4,945)	(\$189)	(\$21,778)
7	Per books amortization, excluding Protected, plus rider return	[5]					(\$24,013)
8	Year 2 true-up (L7 - L6)						(\$2,236)

True Up for Actual Sales Volume June 2021 - December 2021

Line	Description		Residential	Commercial	Industrial	Lighting	Total SC retail
9	Rider EDIT-1 (SC) decrement rate (\$/mWh)	[6]	(5.02500)	(3.30000)	(2.12100)	(14.73500)	
10	Total Year 3 EDIT Rider Revenues incl. SC license Tax, PSC Utility Assessment Fee	[7]	(\$69,816)	(\$69,816)	(\$69,816)	(\$69,816)	
11	Total Year 3 Federal EDIT Protected Amortization	[8]	(\$14,902)	(\$14,902)	(\$14,902)	(\$14,902)	
12	Rider EDIT-1 (SC) decrement rate, excluding Protected (\$/mWh) (1 - L11 / L10) * L9		(3.95240)	(2.59560)	(1.66827)	(11.58976)	
13	Mwh sales (June 1, 2021 - December 31, 2021)	[4]	4,097,193	3,429,470	4,920,020	30,166	
14	Actual EDIT decrement rider revenue (L12 * L13 / 1,000)		(\$16,194)	(\$8,902)	(\$8,208)	(\$350)	(\$33,653)
15	Per books amortization, excluding Protected, plus rider return	[9]					(\$32,033)
16	Year 3 true-up (L15 - L14)						\$1,620
17	Total true-up (L8 + L16)						(\$616)

Notes:

- [1] South Carolina First Revised Leaf No. 67, effective for service rendered on and after June 1, 2020 through May 31, 2021
- [2] Docket No. 2018-319-E, Excess Deferred Income Tax Rider Calculation - Year 3, Exhibit 1, Page 2, L7, Column (N)
- [3] Docket No. 2018-319-E, Excess Deferred Income Tax Rider Calculation - Year 3, Exhibit 1, Page 2, L7, Column (B)
- [4] Provided by Accounting
- [5] Docket No. 2018-319-E, Excess Deferred Income Tax Rider Calculation - Year 3, Exhibit 1, Page 2, L7, (Column (N) less Column (B)) / 12 * 5
- [6] South Carolina Second Revised Leaf No. 67, effective for service rendered on and after June 1, 2021 through May 31, 2022
- [7] Docket No. 2018-319-E, Excess Deferred Income Tax Rider Calculation - Year 3, Exhibit 1, Page 2, L8, Column (N)
- [8] Docket No. 2018-319-E, Excess Deferred Income Tax Rider Calculation - Year 3, Exhibit 1, Page 2, L8, Column (B)
- [9] Docket No. 2018-319-E, Excess Deferred Income Tax Rider Calculation - Year 3, Exhibit 1, Page 2, L8, (Column (N) less Column (B)) / 12 * 7

Duke Energy Carolinas, LLC
PSCSC Docket No. 2018-319-E
Derivation of Excess Deferred Income Tax Rider EDIT-1 Rates - Year 4
For Test Period Ended December 31, 2021

Rate Class	Rate Schedules	Revenue Requirement (\$) ¹	Annual Billed Sales (kWh) ²	Proposed Rates, Year 4 (\$/kWh)	Current Rates, Year 3 (\$/kWh)
(a)	(b)	(c)	(d)	(e) = (c) / (d)	(f)
Residential	RS, R-STOU, RT, RE, RB, ES	(\$29,536,422)	6,740,346,280	(\$0.004382)	(\$0.005025)
General Service	SGS, LGS, TS, OPT, BC, MP, PG, HP	(\$13,538,800)	5,157,530,505	(\$0.002625)	(\$0.003300)
Industrial	I, OPT, MP, PG, HP	(\$14,144,703)	8,337,267,995	(\$0.001697)	(\$0.002121)
Lighting	OL, NL, PL	(\$2,795,475)	199,975,799	(\$0.013979)	(\$0.014735)
		<u>(\$60,015,400)</u>	<u>20,435,120,580</u>		

¹ Revenue Requirement allocation is provided in Exhibit No. 4.

² Annual Billed Sales are based on 2021 Pricing & Regulatory Solutions Per Book extracted from CBIS and SAP.

Exhibit No. 4
Page 1 of 1

Duke Energy Carolinas, LLC
PSCSC Docket No. 2018-319-E
Excess Deferred Income Tax Rider EDIT-1 Allocation - Year 4

Rider Amortization (\$): Year 4 (\$60,015,400)

Cost of Service Rate Class	Rider Rate Class	ADIT per 2020 Per Book COS (\$)¹	EDIT-1 Rider Allocated at ADIT (\$)
(a)	(b)	(c)	(d)
Rate RS_1	Residential	(\$270,728)	(\$16,320,164)
Rate RT	Residential	(\$395)	(\$23,785)
Rate RE_1	Residential	(\$218,844)	(\$13,192,473)
Rate SGS	General Service	(\$82,045)	(\$4,945,878)
Rate LGS	General Service	(\$47,457)	(\$2,860,859)
Rate OL	Lighting	(\$40,099)	(\$2,417,262)
Rate NL	Lighting	(\$0)	(\$23)
Rate PL	Lighting	(\$6,274)	(\$378,190)
Rate TS	General Service	(\$533)	(\$32,121)
Rate I	Industrial	(\$47,021)	(\$2,834,563)
Rate OPT-G	General Service	(\$94,554)	(\$5,699,942)
Rate OPT-I	Industrial	(\$187,619)	(\$11,310,140)
		<u>(\$995,568)</u>	<u>(\$60,015,400)</u>

¹ Accumulated Deferred Income Tax (ADIT) allocated by Rate Class in Per Book Cost of Service (COS) for test period 2020.

RIDER EDIT-1 (SC)
EXCESS DEFERRED INCOME TAX RIDER

AVAILABILITY (South Carolina Only)

Service supplied under the Company's rate schedules is subject to approved adjustments for excess deferred income taxes approved by the Public Service Commission of South Carolina. Rider adjustments are not included in the rate schedules of the Company and therefore must be applied to the bill as calculated under the applicable rate. This rider adjustment includes a one-year credit to return to customers savings associated with Excess Deferred Income Taxes resulting from the North Carolina Income Tax Rates in House Bill 989, An Act to Simplify the North Carolina Tax Structure and to Reduce Individual and Business Tax Rates. This adjustment also reduces billing rates for savings realized with The Federal Tax Cuts and Jobs Act that reduced corporate federal income tax rates from 35% to 21% effective January 1, 2018. These federal savings include a credit for deferred revenue associated with the lower tax rate and a credit for excess deferred income taxes that will be realized over the following 20 years. This rider adjustment shall be updated annually to reflect changes in deferred tax balances.

EDIT-1 RIDER ADJUSTMENT

Effective for service rendered on and after ~~January 1~~ June 1, 2022 through May 31, ~~2022~~2023, the decremental rider adjustment for the appropriate rate classes and schedules, including revenue-related taxes and regulatory fees, shall be as shown in the following table:

Rate Class	Applicable Schedules	Billing Rate (¢/kWh)
Residential	RS, RE, ES, RT, RB, R-STOU	(0. 5025 4382)
General Service	SGS, BC, LGS, TS, OPT, MP, PG, HP	(0. 3300 2625)
Industrial Service	I, OPT, MP, PG, HP	(0. 2121 1697)
Lighting	OL, PL, NL	(1. 4735 3979)

RIDER EDIT-1 (SC)
EXCESS DEFERRED INCOME TAX RIDER

AVAILABILITY (South Carolina Only)

Service supplied under the Company's rate schedules is subject to approved adjustments for excess deferred income taxes approved by the Public Service Commission of South Carolina. Rider adjustments are not included in the rate schedules of the Company and therefore must be applied to the bill as calculated under the applicable rate. This rider adjustment includes a one-year credit to return to customers savings associated with Excess Deferred Income Taxes resulting from the North Carolina Income Tax Rates in House Bill 989, An Act to Simplify the North Carolina Tax Structure and to Reduce Individual and Business Tax Rates. This adjustment also reduces billing rates for savings realized with The Federal Tax Cuts and Jobs Act that reduced corporate federal income tax rates from 35% to 21% effective January 1, 2018. These federal savings include a credit for deferred revenue associated with the lower tax rate and a credit for excess deferred income taxes that will be realized over the following 20 years. This rider adjustment shall be updated annually to reflect changes in deferred tax balances.

EDIT-1 RIDER ADJUSTMENT

Effective for service rendered on and after June 1, 2022 through May 31, 2023, the decremental rider adjustment for the appropriate rate classes and schedules, including revenue-related taxes and regulatory fees, shall be as shown in the following table:

Rate Class	Applicable Schedules	Billing Rate (¢/kWh)
Residential	RS, RE, ES, RT, RB, R-STOU	(0.4382)
General Service	SGS, BC, LGS, TS, OPT, MP, PG, HP	(0.2625)
Industrial Service	I, OPT, MP, PG, HP	(0.1697)
Lighting	OL, PL, NL	(1.3979)